



Patrick W. Henning, Director
November 3, 2009
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Arnold Schwarzenegger
Governor

Mr. Robert Sainz, Assistant General Manager
Community Development Department
Workforce Development Division
1200 West 7th Street, 6th Floor
Los Angeles, CA 90017

Dear Mr. Sainz:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the City of Los Angeles Community Development Department's (CLACDD) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. TG Akins from July 13, 2009 through July 24, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by CLACDD with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of CLACDD, a review of applicable policies and procedures, and a review of documentation retained by CLACDD for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on September 25, 2009, and reviewed your comments and documentation before finalizing this report. Because your response did not adequately address finding 1 cited in the draft report, we consider this finding unresolved. We request that CLACDD provide the Compliance Review Office (CRO) with a corrective action plan (CAP) to resolve the issue that led to the finding. Therefore, this finding will remain open and has been assigned Corrective Action Tracking System (CATS) number 90208.

BACKGROUND

The CLACDD was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, CLACDD was allocated: \$14,952,744 to serve 2,192 adult participants; \$14,984,577 to serve 2,336 youth participants; and \$10,620,979 to serve 1,264 dislocated worker participants.

For the quarter ending March 31, 2009, CLACDD reported the following expenditures and enrollments for its WIA programs: \$7,015,143 to serve 2,089 adult participants; \$12,846,117 to serve 2,207 youth participants; and \$7,237,810 to serve 1,078 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, CLACDD is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of resource sharing agreements. The finding that we identified in this area, our recommendation, and CLACDD's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 20 CFR Section 662.270 states, in part, that each partner of the One-Stop delivery system (One-Stop Center) must contribute a fair share of the operating costs, which is proportionate to the use of services at the One-Stop Center by individuals attributable to the partner's program. The particular funding arrangements for services and operating costs of the One-Stop delivery system must be described in a Memorandum of Understanding (MOU) or other documented agreement.

Observation: We found that CLACDD does not have current financial cost/resource sharing agreements that identify the shared common costs, how those costs are defined and dollar value attached, and how the costs will be allocated and funded for all of the on-site partners in 15 of 18 WorkSource Centers. This has been an on going issue since PY 2001-02. In February of 2005

CLACDD contacted EDD to report reaching an impasse in getting cost/resource sharing agreements signed. However, since then, there has been little progress made in overcoming the impasse.

Recommendation: We recommended that CLACDD work with their Regional Advisor to establish cost/resource sharing agreements that identify the shared common costs, how those costs are defined and dollar value attached, and how the costs will be allocated and funded for all of the on-site partners in the WorkSource centers.

CLACDD Response: The CLACDD stated that they concur with our finding and will work with their Regional Advisor to establish the cost/resource sharing agreements in their WorkSource Centers.

State Conclusion: Based on CLACDD's response, we cannot resolve this issue at this time. We recommend that CLACDD provide the CRO with a CAP, including a timeline, for establishing a cost/resource sharing agreement that identifies the shared common costs, how those costs are defined and the dollar valued attached, and how the costs will be allocated and funded for all of the on-site partners in the WorkSource centers. Until then, this finding will remain open and has been assigned CATS number 90208.

PROCUREMENT REVIEW RESULTS

We concluded that, overall, CLACDD is meeting applicable WIA requirements concerning procurement.

In addition to the finding above, we identified a condition that may become a compliance issue if not addressed. Specifically, CLACDD's procurement policy, which is included in their contract boilerplate, states that for small purchases from \$0-\$10,000 only one price quote is required to be obtained prior to purchase. We suggested that CLACDD include the requirement for an adequate number of quotes as part of the small purchase policy contained in the contract boilerplate. Please see 29 CFR part 97.36(d)(1) which states, in part, that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

In its response, CLACDD stated that as of PY 2009-10, they have revised all WIA contract boiler plates with updated language stating that 2 documented quotes must be obtained for small purchases in the amount of \$0-\$24,999. Additionally, CLACDD provided a copy of Directive No. 10-10 Revised Small Purchase Procurement Procedure which was issued to supersede Directive 01-34, dated December 26, 2000. Directive No. 10-10 instructs the LA Workforce Development System to obtain two documented quotes for purchases made in the amount of \$0-\$24,999. The CLACDD's response adequately addressed our concern.

Mr. Robert Sainz

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November 3, 2009

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than December 4, 2009. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is CLACDD's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, federal and state regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain CLACDD's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50
Larry Scaramella, MIC 50